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*Shannon Bowyer Hudson
Deputy Chief Counsel for ORS*

October 27, 2017

VIA ELECTRONIC FILING

Jocelyn G. Boyd, Esquire
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

Re: SCE&G activities at V.C. Summer Units 2 and 3

Dear Ms. Boyd:

It appears that South Carolina Electric & Gas Company (SCE&G) is actively pursuing abandonment of V.C. Summer Units 2 and 3 (the Units or the Project) and is planning to take significant actions soon at the construction site. These actions could restrict the ability to restart construction, either in the near- or long-term, and could increase the costs associated with doing so.

The Office of Regulatory Staff (ORS) visited the construction site to observe the status of activities. The following summarizes the information gleaned from that visit:

Safety and Environmental Work. As a first near-term priority, SCE&G is pursuing a "Make it Safe" scope of work to address obvious safety hazards. SCE&G is also evaluating the status of environmental permits with the intent to close out permits as appropriate.

Salvageable Equipment. An equipment maintenance program is being conducted with pumps and other major components that have a potentially high salvage value; SCE&G has been in

contact with salvage vendors. Also, SCE&G is removing rental equipment from the site, which primarily consists of large cranes and trucks.

Non-Salvageable Equipment. SCE&G considers equipment that has been installed to have little or no salvage value beyond the value of scrap metal because of the expense involved in removing it from its installed location. Such equipment is not being maintained through the equipment maintenance program.

Westinghouse Electric Company (WEC). WEC owns the Heavy Lift Derrick (Bigge HLD), the concrete batch plant, and the Modular Assembly Building; all are scheduled to be removed from the site by the end of December. The water-intake structures (not owned by WEC) are also scheduled to be removed. The loss of the Bigge HLD, the concrete batch plant, and the water-intake structures would likely have impacts on the ability to proceed with construction in a timely and cost-effective manner if a decision were made to restart construction, especially in the near term.

Buildings. The Turbine Building will not be enclosed, and neither the Containment nor the Auxiliary Building for the Units will have a protective covering. This approach will leave major components exposed to the elements and falling debris, both of which may accelerate corrosion and contribute to degradation.

Staffing. SCE&G employed 612 workers at the construction site in July when it announced abandonment of the Project; 114 of those workers were retained, most of whom have been relocated to other areas within SCE&G. Remaining on-site are approximately 140 Fluor personnel under a new direct contract with SCE&G, 20 SCE&G staff, 10 WEC full-time staff, 40 WEC subcontractors, and 30 Chicago Bridge & Iron Services staff. SCE&G states that it does not maintain a count of contract workers on-site; therefore, company representatives could not provide an accurate number of contract workers released from the Project at the time of abandonment.

Licensing. Within 90 days of abandoning the project, SCE&G must notify the Nuclear Regulatory Commission (NRC) of its intent either to terminate or suspend its Combined Operating License (COL) for the Project. This notification date is mid-November 2017. SCE&G advised the ORS that it intends to terminate the COL unless circumstances change soon. Currently, no resident NRC inspectors are on-site.

Asset Ownership. For some assets, no clear path of ownership exists. The disputes generally arise out of non-payment, partial payment, or disputed payment of invoices. SCE&G is working with WEC to develop a plan to address this issue. It is expected to take months to determine the ownership of disputed assets left on-site.

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Engineering, Procurement, and Construction (EPC) Contract. The EPC contract has not yet been rejected by WEC in its bankruptcy proceeding.

SCE&G's current approach will not preserve the site and, if timely action is not taken, may ultimately negate or limit the opportunity to restart construction, either in the near- or long-term. Preserving the site for future restart will require financial investment.

Please see SCANA's response to The State Newspaper as set forth in the attachment.

Sincerely,



Shannon Bowyer Hudson

Encl.

cc: K. Chad Burgess, Esquire (via E-Mail)
Joseph Melchers, Esquire (via E-Mail)



BY SAMMY FRETWELL

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OCTOBER 26, 2017 9:20 AM

SCANA RESPONDS TO LEGISLATIVE CONCERNS

S.C. senators heard Wednesday that SCANA was walking away entirely from its failed nine-year long, \$9 billion effort to build two new nuclear reactors in Fairfield County.

Legislators were told the Cayce-based utility was allowing equipment and materials on the site to deteriorate, lessening the chances that another utility could — at a later date — complete the project.

SCANA did not respond to those concerns until Thursday, when it issued a statement.

“Although we have been working to make the construction site safe and to preserve the equipment and materials that can be salvaged, the fact remains that we have decided to abandon the project in the best interest of our customers.

“That decision creates an opportunity for a tax deduction that will help offset approximately \$2 billion in costs to our customers. The value of the tax deduction is roughly equal to three times the value of the Toshiba guarantee (after-tax value of \$2 billion versus \$700 million). Protecting that benefit for our customers is a top priority for our company.”

Link to full article: <http://www.thestate.com/news/local/article180981611.html>